



## CONGRESSIONAL BUDGET OFFICE PAY-AS-YOU-GO ESTIMATE

July 19, 2000

### **H.R. 4391** **Mobile Telecommunications Sourcing Act**

*As cleared by the Congress on July 14, 2000*

#### **SUMMARY**

CBO estimates that enactment of H.R. 4391 would have a negligible effect on the federal budget. Two years after enactment, H.R. 4391 would prohibit state and local governments from taxing mobile telecommunications calls unless a customer's place of primary telephone use is within the taxing jurisdiction of the state or local government. The bill would encourage states to provide mobile telephone companies with a database that shows which addresses fall within which taxing jurisdictions. Mobile telephone companies would be held harmless for any mistakes in taxes collected because of errors in the database, or from errors they might make before a state provides such a database.

Certain charges imposed on telecommunications services either by states or the federal government under the Telecommunications Act of 1996 to support universal service are recorded in the federal budget. (Universal Service is a program intended to promote the availability of telecommunications services at affordable rates.) Because H.R. 4391 could affect direct spending and receipts, pay-as-you-go procedures would apply, but CBO estimates that any such effects would be negligible.

#### **ESTIMATED IMPACT ON DIRECT SPENDING AND REVENUES**

Under the Universal Service Fund established by the Telecommunications Act of 1996, the Federal Communications Commission (FCC) seeks to provide universal access to telecommunications services through various charges to some telephone companies and payments to others. The 1996 act also permits states to establish additional collections and payments to preserve and advance universal service, so long as these mechanisms are not inconsistent with federal law.

The Universal Service Fund records these transactions on the federal budget as governmental receipts and direct spending. To the extent that states choose to use charges on mobile telecommunications service to support universal service, H.R. 4391 could result in reduced revenues collected and lower direct spending. But based on information from the FCC and the Universal Service Administrative Company, CBO estimates that any change in revenues and direct spending as a result of enacting this legislation would be negligible. The costs of this legislation fall within budget function 370 (commerce and housing credit).

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